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SUBJECT: LABOR PARTY CONFERENCE: THE OUTLOOK

REF: (A) LONDON 14550 (B) LONDON 8575

SUMMARY. THE ANNUAL LABOR PARTY CONFERENCE, WHICH OPENS
SEPTEMBER 27, IS EXPECTED TO PRODUCE ITS USUAL VERBAL AND
IDEOLOGICAL BOMBAST AS LABORDISSIDENTS CHALLENGE THE
GOVERNMENT ON A SERIES OF FRONTS. ATTENTION WILL FOCUS
PRIMARILY ON ECONOMIC ISSUES, WITH GOVERNMENT POLICIES
BEING THE MAJOR TARGET (REF. A). THE GOVERNMENT'S
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TACTICAL SKILL AND CONTROL OF THE PROCEDURAL LEVERS,

HOWEVER, SUGGEST ITS EMBARRASSMENT WILL BE MINIMAL. DIRECT ELECTIONS TO THE EUROPEAN PARLIAMENT (THE PARTY'S NATIONAL EXECUTIVE COMMITTEE -- NEC -- OPPOSES); DEVOLUTION: A HOARY PROPOSAL TO NATIONALIZE BANKS AND INSURANCE COMPANIES; AND EDUCATION ARE ISSUES EXPECTED TO CAPTURE MEDIA ATTENTION. FOREIGN AFFAIRS. DEFENSE POLICY. AND NORTHERN IRELAND ARE ALSO EXPECTED TO BE POINTS OF LEFT-WING DISAGREEMENT WITH THE GOVERNMENT. CONDEMNATION OF RACISM IS LIKELY TO BE THE ONLY ISSUE ON WHICH ALL FACTIONS IN THE PARTY CAN AGREE. ONE POTENTIAL BRIGHT SPOT FOR THE GOVERNMENT MAY BE THE NEC ELECTIONS. MODERATES STAND A REASONABLE CHANCE OF MAKING A NET GAIN OF ONE SEAT AT THE EXPENSE OF LEFTISTS. AT THIS POINT WE BELIEVE IT UNLIKELY THAT CONFERENCE ACTION ON ANY OF THESE ISSUES WILL AFFECT SIGNIFICANTLY GOVERNMENT POLICIES OR ACTIONS, THOUGH LABOR'S INTERNECINE DIFFERENCES WILL PROVIDE, AS USUAL, AMMUNITION FOR THE OPPOSITION. END SUMMARY.

1. WITH THE LABOR PARTY CONFERENCE SET TO OPEN SEPTEMBER 27 IN BLACKPOOL, MOST OBSERVERS ANTICIPATE MANIFESTATIONS OF EXTREME DISCONTENT WITH THE CALLAGHAN GOVERNMENT AND ITS POLICIES. ESPECIALLY AMONG CONSTITUENCY PARTY GROUPS. LABOR'S LEFT-WING, AS USUAL. CAN BE EXPECTED TO SPEAR-HEAD THE ATTACK, AND ON SPECIFIC ISSUES (E.G. UNEMPLOYMENT AND SPENDING CUTS) WILL PROBABLY PICK UP BROADER SUPPORT. AS REPORTED PREVIOUSLY (REF. A), THE GOVERNMENT'S ECONOMIC POLICIES WILL BE THE PRINCIPAL TARGET OF ATTACK. THE GOVERNMENT THIS WEEK HAS ANNOUNCED INTRODUCTION OF IMPORT CURBS ON TV SETS, EARLY RETIREMENT INCENTIVES AND INCREASED JOB TRAINING MEASURES IN AN EFFORT TO REDUCE THE STEAM BEHIND THE UNEMPLOYMENT ISSUE. WE ALSO UNDERSTAND THE CONFERENCE ARRANGEMENTS COMMITTEE HAS SOUGHT TO LIMIT DAMAGE ON THIS FRONT BY COMPRESSING THE DEBATE OF MAJOR ECONOMIC ISSUES IN A SINGLE SESSION EARLY IN THE CONFERENCE AND TO BLUNT THE ANTI-GOVERNMENT THRUST OF RESOLUTIONS THROUGH THE COMPOSITING PROCESS, TACTICAL MANEUVERS WHICH HAVE SERVED PREVIOUS GOVERNMENTS WELL. REGARDLESS OF ANY RESOLUTIONS CRITICAL OF THE GOVERNMENT THAT MAY PASS, LIMITED OFFICIAL USE

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WE EXPECT THE CONFERENCE WILL ENDORSE A TUC-LABOR PARTY LIAISON COMMITTEE STATEMENT ISSUED IN JULY WHICH APPROVED THE GOVERNMENT'S CURRENT ECONOMIC STRATEGY. THE RESULT, IN EFFECT, WILL BE TO FUZZ DIFFERENCES BY PASSAGE OF CONFLICTING RESOLUTIONS AND STATEMENTS. ANOTHER TIME HONORED LABOR LEADERSHIP TACTIC. APPROVAL OF THE NEC'S "LABOR'S PROGRAM, 1976," (REF. B), A COMPENDIUM OF LONG-TERM OBJECTIVES. WILL ADD FURTHER

CONFUSION ABOUT THE PARTY'S AIMS. ONE POTENTIALLY
TROUBLESOME ECONOMIC ISSUE, HOWEVER, IS THE NEC'S
SPECIFIC PROPOSAL TO NATIONALIZE FOUR LEADING CLEARING
BANKS AND THE TOP SEVEN INSURANCE COMPANIES. IT IS NOT
YET CLEAR HOW THE CALLAGHAN GOVERNMENT WILL DEAL WITH
THIS RESUSCITATED PIECE OF LABOR PARTY DOCTRINE (SIMILAR
STATEMENTS APPEARED AS EARLY AS THE PARTY'S 1936
MANIFESTO AND HAVE BEEN ENDORSED BY VARIOUS CONFERENCES
SINCE THAT TIME). WE UNDERSTAND CALLAGHAN WILL SEEK THE
PROPOSAL'S DEFEAT, FEARING THAT THE ISSUE COULD BE
EXPLOITED TO REDUCE CONFIDENCE IN THE GOVERNMENT.

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2. OTHER AREAS OF LIKELY GOVERNMENT CONCERN ARE DESCRIBED BELOW.

-- DIRECT ELECTIONS TO EUROPEAN PARLIAMENT - THE NEC WILL SUBMIT A STATEMENT OPPOSING SUCH ELECTIONS, AND IT WILL PROBABLY BE APPROVED BY CONFERENCE. THIS COULD BE ONE OF THE FEW AREAS WHERE A CONFERENCE DECISION HAS PERCEPTIBLE EFFECT. THE PROSPECTS FOR PARLIAMENT RATIFYING THE DIRECT ELECTIONS ACCORD IN TIME FOR THE LIMITED OFFICIAL USE

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1978 TARGET DATE ARE AT BEST UNCERTAIN, AND ENDORSEMENT COULD SWING SOME WAVERING LABOR MP'S INTO THE ANTI-ELECTION CAMP.

-- DEVOLUTION - A CRITICAL ISSUE FOR THE GOVERNMENT (AND, INDEED, FOR THE UK). THIS SUBJECT IS EXPECTED TO RECEIVE ITS FIRST FULL-SCALE AIRING AT CONFERENCE. THOSE OPPOSING DEVOLUTION -- AND THEY DEFY IDEOLOGICAL CATEGORIZATION -- WILL MOUNT A MAJOR EFFORT OPPOSING GOVERNMENT POLICY AND WILL LOSE, PROBABLY BY AN OVERWHELMING MAJORITY AS THE UNION BLOC VOTE FALLS IN BEHIND THE GOVERNMENT. THE OUTCOME MAY WEAKEN RESISTANCE TO THE GOVERNMENT BILL. BUT ITS EFFECT WILL ONLY BE MARGINAL.

-- DEFENSE - THE LEFT IS ONCE AGAIN EXPECTED TO LAUNCH A MAJOR EFFORT TO FORCE REDUCTIONS IN DEFENSE SPENDING. BUDGET CUTS WHICH HAVE BITTEN DEEPLY INTO SOCIAL PROGRAM SPENDING WILL ONLY INTENSIFY EMOTIONS. BUT WHEN (AND IF) A VOTE COMES, IT IS LIKELY TO BE ON A WATERED DOWN COMPOSITE RESOLUTION. WHATEVER THE OUTCOME. IT WILL HAVE NO EFFECT ON THE GOVERNMENT.

-- FOREIGN POLICY - THERE ARE A TOTAL OF 27 RESOLUTIONS. MANY HOSTILE TO THE GOVERNMENT. BEFORE THE CONFERENCE. AND THEY COVER A WIDE VARIETY OF BILATERAL AND INTERNATIONAL QUESTIONS. FEW WILL REACH THE FLOOR. SOUTH AFRICA (5 RESOLUTIONS) IS A MAJOR TOPIC AND THERE IS SOME POSSIBILITY THAT LEFT-WINGERS WILL RUSH TO INTRODUCE A LAST MINUTE "EMERGENCY" RESOLUTION CRITICAL OF SECRETARY KISSINGER'S SOUTHERN AFRICA INITIATIVE. THE GOVERNMENT, OF COURSE, WILL TRY TO BLOCK ANY SUCH MOVE. IN ANY EVENT. NONE OF THE PENDING RESOLUTIONS ARE LIKELY TO AFFECT HMG POLICIES.

-- NORTHERN IRELAND - THE LEFTIST-DOMINATED
TROOPS OUT MOVEMENT (WHICH HAS LINKS WITH THE PROVISIONAL
IRA) IS EXPECTED TO MAKE A CONCERTED EFFORT TO OBTAIN
CONFERENCE APPROVAL FOR A RESOLUTION DEMANDING THE
IMMEDIATE WITHDRAWAL OF BRITISH FORCES FROM NI. IF THIS
RESOLUTION SHOULD REACH THE FLOOR, IT WILL BE CRUSHED
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OVERWHELMINGLY, THOUGH THE PRECEDING DEBATE WOULD BE
VITRIOLIC.

-- RACISM - THE RECENT INTENSIFICATION OF RACIAL
STRESS IN THE UK. EXACERBATED BY THE SAGGING ECONOMY AND
GROWING UNEMPLOYMENT, HAS TRIGGERED RENEWED INTEREST IN
THIS SUBJECT. TWENTY RESOLUTIONS CONDEMNING ONE OR MORE
ASPECTS OF RACISM ARE ON THE AGENDA. CONDEMNATION OF
RACIST ACTIVITIES WILL PROBABLY BE THE ONLY ISSUE WHICH
WILL UNITE THE CONFERENCE. RESOLUTIONS REACHING THE
FLOOR WILL PASS UNANIMOUSLY.

-- EDUCATION - CERTAIN TO PRECIPITATE SOME OF THE
MOST IMPASSIONED DEBATE (AND EXTENSIVE NEWS COVERAGE).
THE OUTCOME WILL FIND THE LABOR PARTY UNITED ON EVERY-
THING BUT THE RECENT CUTS IN THE EDUCATION BUDGET.

3. ELECTIONS TO THE LEFTIST-DOMINATED NEC AND
CHALLENGES TO THE CURRENT PROCEDURES FOR ELECTION OF THE
PARTY LEADER AND THE SELECTION OF PARLIAMENTARY
CANDIDATES ROUND OUT THE CONFERENCE AGENDA. LEFT-WING
TRIBUNE NORMAN ATKINSON STANDS A GOOD CHANCE OF REPLAC-
ING CALLAGHAN AS PARTY TREASURER (HE HAS FIRM COMMITMENTS
OF NEARLY 2 MILLION VOTES -- 3 3 MILLION NEEDED TO
ELECT) BUT MODERATES ARE SEEKING TO RALLY THEIR FORCES
BEHIND INDUSTRY SECRETARY ERIC VARLEY. THE ODDS FAVOR
ATKINSON, BUT IT WILL BE A CLOSE RACE. THERE APPEARS TO
BE LITTLE CHANCE OF CHANGE IN THE TRADE UNION DIVISION
(12 REPRESENTATIVES, A MAJORITY OF WHOM TEND TO SUPPORT
THE GOVERNMENT). BUT THERE IS A FAIR POSSIBILITY THAT
MODERATE MP JACK ASHLEY CAN OUST BARBARA CASTLE AS ONE
OF THE CONSTITUENCY REPRESENTATIVES (7 MEMBERS). THIS

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WOULD BE A GAIN FOR THE MODERATES. THE OTHER INCUMBENTS
IN THIS GROUP SEEM SECURE. IN THE WOMEN'S DIVISION (5
REPRESENTATIVES). MODERATE LEFTIST (A JUNIOR MINISTER)
MARGARET JACKSON MAY BE ABLE TO OUST EXTREME LEFTIST
JOAN MAYNARD -- DEFENSE SECRETARY AND FORMER PARTY
CHAIRMAN FRED MULLEY, A RIGHT-WINGER, IS ORGANIZING
UNION SUPPORT FOR JACKSON'S CANDIDACY. IN THE
AFFILIATED ORGANIZATION SECTION (1 MEMBER) JOHN
CARTWRIGHT, MP, IS EXPECTED TO REPLACE T. JONES. BOTH
ARE MODERATES. THOUGH CARTWRIGHT SERVED ON THE NEC
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PREVIOUSLY AND IS RATED AS THE MORE EFFECTIVE. IF THE
MODERATES PREVAIL, THEY COULD INCREASE THEIR NET

REPRESENTATION BY ONE SEAT. PROCEDURALLY. THE LEFT-WING HAS TABLED RESOLUTIONS WHICH, IF APPROVED, WOULD HAVE THE ENTIRE PARTY. RATHER THAN JUST LABOR MP'S, ELECT THE LEADER AND WOULD END THE VIRTUALLY AUTOMATIC RENOMINATION OF SITTING MP'S. MAKING THEM MORE ACCOUNTABLE TO THEIR CONSTITUENCY ORGANIZATIONS. NEITHER IS LIKELY TO BE APPROVED. THOUGH DEBATE WILL BE HEATED.

4. WE, LIKE MOST OBSERVERS, EXPECT THIS YEAR'S CONFERENCE WILL BE FILLED WITH FIREWORKS. THE LABOR PARTY RANK AND FILE ARE PROFOUNDLY UNHAPPY WITH THE CURRENT ECONOMIC SITUATION AND THE GOVERNMENT'S MEASURES TO DEAL WITH IT, AND ARE DETERMINED TO MAKE THEIR VIEWS KNOWN. WHEN THE DUST SETTLES, HOWEVER, THE CONFERENCE WILL HAVE ONLY A MARGINAL EFFECT ON GOVERNMENT POLICIES AND DISSIDENTS, WHILE STILL UNHAPPY, WILL HAVE FOUND SOME PLEASURE IN ITS CATHARTIC EFFECT. YET THE CONFERENCE DOES POSE AN IMPORTANT TEST FOR CALLAGHAN ON ANOTHER LEVEL. HIS ABILITY TO DEAL WITH CHALLENGES TO HIS AUTHORITY AND TO LIMIT DAMAGE IN TERMS OF RESOLUTIONS CRITICAL OF GOVERNMENT POLICY COULD HAVE IMPLICATIONS FOR HIS ABILITY TO DOMINATE THE PARLIAMENTARY LABOR PARTY (PLP) WHEN PARLIAMENT RETURNS. IF HE DOES WELL, THE PLP WILL BE DOCILE; IF NOT, THE DISSIDENTS, ESPECIALLY ON THE LEFT, COULD MAKE HIS LIFE MISERABLE. IN MEETING THIS CHALLENGE, HE IS LIKELY TO RECEIVE HIS MOST EFFECTIVE SUPPORT FROM THE UNIONS WITH THEIR BLOC VOTE. THE MEDIA WILL ALSO HIGHLIGHT THE MANY DIFFERENCES WITHIN THE LABOR PARTY, WHILE THE CONSERVATIVES WILL SEIZE UPON EVIDENCE OF DISCORD AND THE MORE EXTREME RESOLUTIONS TO ATTACK THE GOVERNMENT. LIKE THE LABOR PARTY ITSELF, BOTH HAVE WELL-REHEARSED ROLES TO PLAY IN THIS TRADITIONAL POLITICAL RITE.

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